

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re)	Chapter 11
)	
PIPELINE FOODS, LLC, <i>et al.</i>,¹)	Case No. 21-11002 (KBO)
)	
Debtors.)	(Jointly Administered)
)	
)	

**DECLARATION OF MARK SCHUMACHER IN SUPPORT OF
SUNOPTA GRAINS AND FOODS INC.'S MOTION TO COMPEL DEBTORS TO
ASSUME OR REJECT AN EXECUTORY CONTRACT PURSUANT TO 11 U.S.C. §
365(d)(2) AND MOTION FOR AN ORDER MODIFYING THE AUTOMATIC STAY
PURSUANT TO 11 U.S.C. § 362(d) TO ALLOW IT TO EXERCISE ITS REMEDIES
(INCLUDING TERMINATION) UNDER THE
EXCLUSIVE SUPPLY AGREEMENT WITH PIPELINE FOODS, LLC**

I, Mark Schumacher, hereby declare under penalty of perjury that the following (this "Declaration") is true to the best of my knowledge, information, and belief:

1. I am the Senior Director of Purchasing of SunOpta Inc. and its various subsidiaries, including SunOpta Grains and Foods Inc. ("SunOpta"). I submit this Declaration in support of SunOpta's Motion to Compel Debtors to Assume or Reject an Executory Contract Pursuant to 11 U.S.C. § 365(d)(2) and Motion for an Order Modifying the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Allow it to Exercise Remedies (Including Termination) Under the Exclusive Supply Agreement with Pipeline Foods, LLC (the "Motion"). I have personal knowledge of the matters stated herein and would testify competently about them if called upon to do so.

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Pipeline Foods, LLC (5070); Pipeline Holdings, LLC (5754); Pipeline Foods Real Estate Holding Company, LLC (7057); Pipeline Foods, ULC (3762); Pipeline Foods Southern Cone S.R.L. (5978); and Pipeline Foods II, LLC (9653). The Debtors' mailing address is 6499 University Avenue NE, Suite 200, Fridley, MN 55432.

2. SunOpta is engaged in the business of, among other things, purchasing manufacturing, marketing, selling, and distributing food products to manufacturers and retailers of food and other products.

3. SunOpta uses the Products (as defined herein) it purchases from Pipeline to produce soy base, which is the product that forms the base of soy milk and other soy beverage products.

4. SunOpta sells soy base and various other soy beverage products to numerous retail and resale customers.

5. On February 22, 2019, SunOpta and Pipeline entered into an Exclusive Supply Agreement (the “Agreement”), which provided, among other things, that SunOpta would purchase Products (as that term is defined in the Agreement and herein) from Pipeline Foods, LLC (“Pipeline”) on an exclusive basis. Attached hereto as **Exhibit 1** is a true and correct copy of the Agreement.

6. Since entering into the Agreement, SunOpta has purchased from Pipeline the Products (as that term is defined in the Agreement and below) on the terms and conditions as set forth in the Agreement.

7. “Products” means “Soybeans and soy bits, splits and pieces produced from soybeans (Organic and Non-GMO) which consist of soybeans dehulled and processed at [Pipeline]’s facility to the specifications provided by [SunOpta].”

8. Pursuant to the terms of the Agreement, SunOpta understands that it is obligated to purchase 100% of its requirements of the Products from Pipeline through October 2022.

9. Since February 22, 2019, SunOpta has purchased 100% of its requirements of the Products from Pipeline.

10. In 2019, SunOpta purchased 28,318,000 pounds of Products from Pipeline.

11. In 2020, SunOpta purchased 19,133,000 pounds of Products from Pipeline.

12. Pursuant to the Agreement, SunOpta provides to Pipeline rolling 12-month forecasts, on or before the beginning of each calendar quarter, for its anticipated Products requirements for the upcoming four quarters.

13. SunOpta provided such forecasts to Pipeline on December 7, 2020, March 8, 2021, May 11, 2021, and July 15, 2021. True and correct copies of these forecasts are attached hereto as **Exhibit 2**.

14. According to those forecasts, SunOpta estimated that it would require approximately 17,000,000-19,000,000 pounds of Products from Pipeline in 2021.

15. Throughout the course of their relationship, SunOpta has issued, and Pipeline has fulfilled, Purchase Orders on a weekly basis.

16. From January 1, 2021 through July 3, 2021, SunOpta has purchased, and Pipeline has delivered, 8,358,680 pounds of Products from Pipeline.

17. The Products referenced in the preceding paragraph were purchased and delivered pursuant to Purchase Orders issued by SunOpta on a weekly basis.

18. On June 2, 2021, SunOpta issued Purchase Orders 3398995 and 3398996. Pipeline has failed to deliver the Products ordered pursuant to Purchase Orders 3398995 and 3398996 on or before the due date.

19. On June 17, 2021, SunOpta issued Purchase Order 3400334. Pipeline has failed to deliver the Products ordered pursuant to Purchase Orders 3400334 on or before the due date.

20. On June 23, 2021, SunOpta issued Purchase Orders 3400652 and 3400653. Pipeline has failed to deliver the Products ordered pursuant to Purchase Orders 3400652 and 3400653 on or before the due date.

21. On June 24, 2021, SunOpta issued Purchase Orders 3400807 and 3400809. Pipeline has failed to deliver the Products ordered pursuant to Purchase Orders 3400807 and 3400809 on or before the due date.

22. As of the date of this Declaration, Pipeline has still failed to deliver the Products ordered pursuant to Purchase Orders 3400807, 3400809, 3400334, 3398995, 3398996, 3400652 and 3400653. True and correct copies of these Purchase Orders are attached hereto as **Exhibit 3**.

23. On July 15, 2021, SunOpta provided to Pipeline, via email, Purchase Orders for July 20, 2021 through September 23, 2021, as well as a forecast for SunOpta's requirements for Products from July 2021 through June 2022 (the "Pending Requirements"). SunOpta also asked Pipeline for assurances that it would be able to deliver the Pending Requirements and asked for such assurances by the end of the day on July 15, 2021. A true and correct copy of that email is attached hereto as **Exhibit 4**.

24. As of the date of this Declaration, SunOpta has received no response from Pipeline regarding the Pending Requirements.

25. Upon information and belief, Pipeline is currently selling its raw product (which it would normally process and supply to SunOpta) to the highest bidder, likely achieving more profit than if it processed and supplied that product to SunOpta.

26. Without the Products provided by Pipeline, SunOpta is unable to fulfill its contractual requirements to supply soy base and various other finished soy beverage products to its customers.

27. As of the Date of this Declaration, SunOpta has approximately 715,000 pounds of Products in its Alexandria, Minnesota facility. SunOpta will process these Products by July 31, 2021.

28. As of the Date of this Declaration, SunOpta has approximately 333,000 pounds of Products in its Modesto, California facility. SunOpta will process these Products by August 9, 2021.

29. If it does not receive additional Products from Pipeline, SunOpta will be unable to fulfill its contractual obligations to its customers as soon as August 2021. If SunOpta must order Products from another supplier, such orders will need to be placed immediately in order to prevent interruption to its processing.

30. That damages that SunOpta believes it will incur beginning in August 2021 will exceed \$860,000.00 each week, and will continue to escalate.

I declare under penalty of perjury of the laws of the United States of America that the foregoing is true and correct to the best of my information and belief.

Dated: July 19, 2021


Mark Schuamcher